Annex 3. Comprehensive Auditor’s Report template - Special Purpose Grant Financial Statement (SPGFS) Audit

[*Date]*

[*Principal Recipient official e.g. Principle Secretary]*

*[Address*]

Ministry of Health

P. O. Box 30152-00100

Ficticia

Dear Sir,

**AUDIT OF GLOBAL FUND GRANT NUMBER FUR-H-MOH FOR THE PERIOD [State the period e.g. January 1, 2019 to December 31, 2019]**

We have now completed the audit of [*Principal Recipient name e.g. the Ministry of Health*] of [*Country e.g. Ficticia*] and are pleased to present our report and findings thereon.

Should you require to discuss any of the issues raised in this report, please do not hesitate to contact us.

Yours faithfully

ABC Auditors

1. **INTRODUCTION**
   1. ***Background***

During the period [state period e.g., January 1, 2018 to December 31, 2018], [PR name e.g. the Ministry of Health] received [US $ 10,915,996] from the Global Fund for the implementation of the grant agreement.

* 1. **Program description** *[grant specific- please update]*

The project goal is to contribute to the National HIV/AIDS Strategy's goal of controlling the HIV prevalence in communities below 0.3%; reduce the morbidity and mortality due to HIV infection; reduce the impact of HIV/AIDS on socio-economic growth.

During the period under review, the program expanded implementation of new approaches for HIV testing services including HIV self-testing (HIVST), partner notification (PN), and decentralization of confirmatory testing to district facility to facilitate earlier diagnosis and linkage to care, especially among key populations and their partners.

1. **Executive Summary**

*[*Auditor’s name] entered into an agreement with the Global Fund to Fight AIDS, Tuberculosis and Malaria (hereafter GF) on [01 March 2018] to carry out the external financial audit of the GF supported program of the Ministry of Health of [insert country name] entitled ‘[insert grant title]’ for the period [January to 31 December 2018.]

The Principal Recipient (PR) of the Grant is the Ministry of Health of [insert country name] who signed Sub-Recipient Agreements with [insert name of Sub-recipients]).

The subject of our audit was the Special Purpose Grant Program Financial Statements (SPGFS) prepared by the Principal Recipient for the grant for the period from period [January to 31 December 2018.]. Total PR expenditure and Sub-recipient expenditures reported by the Principal Recipient amounted to xxx, as follows:

|  |  |
| --- | --- |
|  | **Expenditure**  **USD $** |
| **Principal Recipient –** *[Ministry of Health of xxx]* | XXX |
| **Sub-recipients:** |  |
| **SR1** | XXX |
| **SR 2** | XXX |
| **SR3** | XXX |
| **Total** | **XXX** |

[ Points to be covered in this section]

* Expenditure overview & audit coverage

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Expenditure**  **[USD/EUR]** | **Coverage** | **%** |
| **Principal Recipient –** [PR Name] | XXXXX |  |  |
| **Sub-recipients:** |  |  |  |
| **SR 1: [**SR Name] | XXXXX |  |  |
| **SR 2: [**SR Name] | XXXXX |  |  |
| **Total** | **XXXXXX** |  |  |

* Materiality and confidence level of xxx to assess misstatements or errors, or whether a finding of non-compliance is material as defined in the terms of references section 8.2 for this [High impact / Core /Focus] portfolio.
* Overall Quality of SPGFS
* Corrections identified and reported as part of the SPGFS
* Opinion Overview

We have issued audit opinions on the SPGFS included below in this report. In addition, we have raised several audit findings which are summarized in the Management Letter.

1. **Objectives and Scope of the Audit** 
   1. ***Audit objectives***

The overall audit objective was to conduct a financial audit of the global fund grant managed by the [*Ministry of health the period January 1, 2019 to December 31, 2019]* in accordance with the Global Fund Audit Guidelines. The specific objectives were to:

* Express an independent professional opinion on:

1. the Special Purpose Grant Financial Statements prepared by the Principal Recipients;
2. the Principal Recipient’s compliance with the provisions of the grant agreement and applicable local laws and regulations .

* The objective of the audit is also to comment on adequacy of the implementers’ internal control framework, and report on the weaknesses identified. This review will also include where appropriate:

1. internal control as a whole including Information Technology General Controls (ITGCs);
2. controls related to Principal Recipient or Global Fund hired third party agents including review of the terms and conditions of their engagement and adherence thereof.
   1. ***Audit scope***

The audit scope required us to carry out sufficient audit steps and procedures to ensure that the audit objectives were met for the period January 1, 2021 to December 31, 2021. The sample size was determined based on a materiality threshold of x% of the total amount of reported expenditure and considering the risk analysis performed. We implemented the scope of work indicated in the terms of reference section 7 of the Guidelines for Annual Audit of Global Fund Grants.

**Audit scope limitations (if any)**

[Where applicable, state here any limitation noted during the audit. For example: Some of the ministry of health regional offices in the Northern provinces were experiencing heavy floods during the audit period and could therefore not be sampled for field visits. However, we believe that the effects of this scope limitation is not material because we were able to perform alternative procedures on the expenditure incurred by these provinces.]

1. **Key audit Matters**

As part of the comprehensive audit report, we are required to report on the following key audit matters:

[Areas identified by the auditor, PR, or the Country Team and agreed in the audit plan] .

ma

Principle Secretary

Ministry of Health

P. O. Box 30152-00100

Ficticia

1. **INDEPENDENT AUDITORS’ REPORT ON THE SPECIAL PURPOSE GRANT FINANCIAL STATEMENTS**


5. 1. ***INDEPENDENT AUDITORS’ OPINION (UNQUALIFIED)***

**Opinion**

We have audited the grant [State grant name] financial statements of [Principal Recipient name e.g. Ministry of Health] for the period [state the period e.g. January 1, 2018 to December 31, 2018] which comprise [mention the different statements audited][[1]](#footnote-1). Our responsibility is to express an opinion on the grant financial statements, and on the Principal Recipient’s compliance with the terms of the Grant Agreement, based on our audit.

In our opinion, the accompanying statements present fairly, in all material respects, program revenues, costs incurred and cash balance [ for cash basis reporting] / fund position [for accrual basis reporting] –[ Choose what applies ] for the current period in conformity with the basis of accounting described in note 2.3.1.

**Basis for Opinion**

We conducted our audit of the Special Purpose Grant Financial Statements in accordance with the *Global Fund Auditing guidelines* with specific references to ISA 800. Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Special Purpose Grant Financial Statements* section of our report. We are independent of Principal Recipient Name in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code We believe that our audit provides a reasonable basis for our opinion.

**Emphasis of matter** – Basis of Accounting and restriction on use and distribution [please include paragraph if necessary]

We draw attention to Note [include the number of the relevant note] to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist [State Principal Recipient name] in complying with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for [State Principal Recipient name, e.g. Ministry of Health] and the Global Fund and should not be distributed to or used by parties other than [State Principal Recipient name, e.g. Ministry of Health] and the Global Fund. Our opinion is not modified in respect of this matter.

**Report on other compliance requirements**

**Compliance with grant agreement and applicable law**

In our opinion, the grant funds have [not] been used, in all material respects, in conformity with the provisions of the Grant Agreement, including the approved budget and work plan and any amendments thereto as contained in implementation letters; and applicable local laws and regulations

**Review of indirect cost rate/apportionment of common costs [To be provided when relevant to the grant]**

The PR “[PR Name]” is authorized to charge indirect costs to the Global Fund grant using the following provisional rates:

|  |  |
| --- | --- |
| ***Rate*** | ***Basis*** |
| *2%* | *Expenditure incurred by the Sub-recipients* |
| *7%* | *Expenditures incurred by CRS other than health products* |
|  |  |
|  |  |

The SR “[SR Name]” is authorized to charge indirect costs to the Global Fund grant using a provisional rate of [5%].

The distribution base as computed in the schedule of computation of indirect cost rate (refer to Appendix 3). [Based on our review, nothing came to our attention that caused us to believe that the PR “[PR Name]” and the SR “[SR Name]”, did not fairly present the schedule of indirect cost rate]. Or [Based on our review, we noted that the PR “[PR Name]” (or the SR “[SR Name]”), presented unjustified amount of [USD XXXX] detailed in our Management letter].

The PR “[PR Name]” [and the SR “[SR Name]”] has [have] charged common costs to the Global Fund grant for the period [January 1st, 2021 to December 31st, 2021] a total amount of [USD XXXX] as computed in the schedule of computation of shared common costs (Refer to Appendix 3). [Based on our review, nothing came to our attention that caused us to believe that the PR “[PR Name]” and the SR “[SR Name]”, did not fairly allocate the common costs to the Global Fund Grant]. Or [Based on our review, we noted that the PR “[PR Name]” (or the SR “[SR Name]”), presented unjustified amount of [USD XXXX] detailed in our Management letter].

**Other information** [please include paragraph if necessary]

**Management’s responsibilities for the Grant Program Financial Statements**

The preparation of the grant financial statements is the responsibility of the [Entity name, e.g. Ministry of Health]’s management. Management is responsible for the preparation of these the financial statements in accordance with the financial reporting provisions of Section [insert the relevant section] of the contract and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors’ responsibilities for the audit of the Special Purpose Grant Financial Statements**

Our objectives are to obtain reasonable assurance about whether the special purpose grant financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these grant program financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Special Purpose Grant Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

In accordance with the *Global Fund Auditing Guidelines,* we have also issued our reports on our consideration of the [*Principal Recipient, e.g. Ministry of Health*]’sinternal control and our tests of its compliance with the grant agreement, relevant laws and regulations. Those reports are an integral part of an audit performed in accordance with the guidelinesand should be read in conjunction with this Independent Auditors’ Report in considering the results of our audit.

**[Auditor name, e.g. ABC Associates]**

**[Audit report date, e.g. 20th April 2019]**

**[Auditor name, e.g. Ficticia]**

* 1. ***INDEPENDENT AUDITORS’ OPINION (QUALIFIED)***

**Opinion**

We have audited the grant *[State grant name]* financial statements of *[PR name, e.g. Ministry of Health]* for the period *[state the period, e.g. January 1, 2018 to December 31, 2018]* which comprise [mention the different statements audited][[2]](#footnote-2). Our responsibility is to express an opinion on the grant financial statements based on our audit.

In our opinion, except for the possible effects of the matter[s] described in the Basis for Qualified Opinion paragraph below, the accompanying statements present fairly, in all material respects, the program revenues, costs incurred and and cash balance [ for cash basis reporting] / fund position [for accrual basis reporting] –[ Choose what applies ] position for the reporting period in accordance with the terms of the Global Fund grant agreement and in conformity with the basis of accounting described in note *xxxx [please add the relevant note]*.

*Specific cases of ineligible costs*

*In our opinion, except for the ineligible costs described in the “basis for opinion" paragraph, the accompanying statements present fairly, in all material respects, program revenues, costs incurred and cash position for the reporting period in accordance with the terms of the Global Fund grant agreement and in conformity with the basis of accounting described in note xxxx [please add the relevant note].*

**Basis for qualified opinion**

We conducted our audit of the Special Purpose Grant Financial Statements in accordance with the *Global Fund Auditing guidelines* with specific references to ISA 800. Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Special Purpose Grant Financial Statements* section of our report. We are independent of PR Name in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that our audit provides a reasonable basis for our opinion.

[Example: The Principal Recipient’s costs included an amount of US$xxx used to renovate 13 health facilities (refer to our findings as set out in Section x (Summary of Findings) of our report detailing significant weaknesses identified during the audit). The Principal Recipient has no approval for this expenditure which was not initially a program activity. On this basis and in our opinion, this amount should be refunded to the Global Fund.]

When ineligible costs have been identified add the text *below [to be adjusted accordingly]*

*The results of our tests disclosed the following material questioned costs as detailed in the Special Purpose Grant Financial Statements:*

*(1) US$ 2,123 in costs that are explicitly questioned because they are not program related, unreasonable, or prohibited by the terms of the agreements and;*

*(2) US$ 2,474 in costs that are not supported with adequate documentation or did not have required prior approvals or authorizations;*

*The ineligible costs have been further discussed in section 2.3.6 of this report.*

**Emphasis of matter** – Basis of Accounting and restriction on use and distribution [please include paragraph if necessary]

We draw attention to Note [include the number of the relevant note] to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist [State Principal Recipient name] in complying with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for [State Principal Recipient name, e.g. Ministry of Health] and the Global Fund and should not be distributed to or used by parties other than [State Principal Recipient name, e.g. Ministry of Health] and the Global Fund. Our opinion is not modified in respect of this matter.

**Report on other compliance requirements**

**Compliance with grant agreement and applicable law**

In our opinion, the grant funds have [not] been used, in all material respects, in conformity with the provisions of the Grant Agreement, including the approved budget and work plan and any amendments thereto as contained in implementation letters; and applicable local laws and regulations

**Review of indirect cost rate/apportionment of common costs [To be provided when relevant to the grant]**

The PR “[PR Name]” is authorized to charge indirect costs to the Global Fund grant using the following provisional rates:

|  |  |
| --- | --- |
| ***Rate*** | ***Basis*** |
| *2%* | *Expenditure incurred by the Sub-recipients* |
| *7%* | *Expenditures incurred by CRS other than health products* |
|  |  |
|  |  |

The SR “[SR Name]” is authorized to charge indirect costs to the Global Fund grant using a provisional rate of [5%].

The distribution base as computed in the schedule of computation of indirect cost rate (refer to Appendix 3). [Based on our review, nothing came to our attention that caused us to believe that the PR “[PR Name]” and the SR “[SR Name]”, did not fairly present the schedule of indirect cost rate]. Or [Based on our review, we noted that the PR “[PR Name]” (or the SR “[SR Name]”), presented unjustified amount of [USD XXXX] detailed in our Management letter].

The PR “[PR Name]” [and the SR “[SR Name]”] has [have] charged common costs to the Global Fund grant for the period [January 1st, 2021 to December 31st, 2021] a total amount of [USD XXXX] as computed in the schedule of computation of shared common costs (Refer to Appendix 3). [Based on our review, nothing came to our attention that caused us to believe that the PR “[PR Name]” and the SR “[SR Name]”, did not fairly allocate the common costs to the Global Fund Grant]. Or [Based on our review, we noted that the PR “[PR Name]” (or the SR “[SR Name]”), presented unjustified amount of [USD XXXX] detailed in our Management letter].

**Other information** [please include paragraph if necessary]

**Auditors’ responsibilities for the audit of the Special Purpose Grant Financial Statements**

Our objectives are to obtain reasonable assurance about whether the grant program financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these grant program financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Special Purpose Grant Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

In accordance with the *Global Fund Auditing Guidelines,* we have also issued our reports on our consideration of the *[Principal Recipient e.g. Ministry of Health]*’sinternal control and our tests of its compliance with the grant agreement, relevant laws and regulations. Those reports are an integral part of an audit performed in accordance with the guidelinesand should be read in conjunction with this Independent Auditors’ Report in considering the results of our audit.

**[Auditor name, e.g. ABC Associates]**

**[Audit report date, e.g. 20th April 2019]**

**[Auditor name, e.g. Ficticia]**

* 1. ***INDEPENDENT AUDITORS’ OPINION (ADVERSE)***

**Opinion**

We have audited the grant [State grant name] financial statements of [Principal Recipient name, e.g. Ministry of Health] for the period [state the period, e.g. January 1, 2018 to December 31, 2018] which comprise [mention the different statements audited][[3]](#footnote-3). Our responsibility is to express an opinion on the Grant Financial Statements based on our audit.

In our opinion, because of the fundamental nature of the matters referred to in the below 'basis for adverse opinion' paragraph, the Grant Financial Statements do not present fairly, in all material respects, the program revenues, costs incurred and cash balance [ for cash basis reporting] / fund position [for accrual basis reporting] –[ Choose what applies ] for the reporting period in accordance with the terms of the Global Fund grant agreement and in conformity with the basis of accounting described in note 2.3.1.

**Basis for adverse opinion**

We conducted our audit of the Special Purpose Grant Financial Statements in accordance with the *Global Fund Auditing guidelines* with specific references to ISA 800. Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Special Purpose Grant Financial Statements* section of our report. We are independent of PR Name in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that our audit provides a reasonable basis for our opinion.

[Example: We refer to our findings as set out in Section xxx (Summary of Findings) of our management letter detailing significant procurements where the procedures were not followed. As 80% of the Program relate to procurement of health products, we consider these fundamental weaknesses in the Internal Control System to pose a critical risk to the achievement of the objectives of the Program].

We were unable to obtain sufficient appropriate audit evidence about *[describe issues]* because *[describe reasons / circumstances].* We consider the effects of this misappropriation to be both material and pervasive in the context of our audit.

**Emphasis of matter** – Basis of Accounting and restriction on use and distribution [please include paragraph if necessary]

We draw attention to Note *[include the number of the relevant note]* to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist [State Principal Recipient name] in complying with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for *[State* Principal Recipient *name, e.g. Ministry of Health]* and the Global Fund and should not be distributed to or used by parties other than *[State* Principal Recipient *name, e.g. Ministry of Health]* and the Global Fund. Our opinion is not modified in respect of this matter.

**Report on other compliance requirements**

**Compliance with grant agreement and applicable law**

In our opinion, the grant funds have [not] been used, in all material respects, in conformity with the provisions of the Grant Agreement, including the approved budget and work plan and any amendments thereto as contained in implementation letters; and applicable local laws and regulations

**Review of indirect cost rate/apportionment of common costs [To be provided when relevant to the grant]**

The PR “[PR Name]” is authorized to charge indirect costs to the Global Fund grant using the following provisional rates:

|  |  |
| --- | --- |
| ***Rate*** | ***Basis*** |
| *2%* | *Expenditure incurred by the Sub-recipients* |
| *7%* | *Expenditures incurred by CRS other than health products* |
|  |  |
|  |  |

The SR “[SR Name]” is authorized to charge indirect costs to the Global Fund grant using a provisional rate of [5%].

The distribution base as computed in the schedule of computation of indirect cost rate (refer to Appendix 3). [Based on our review, nothing came to our attention that caused us to believe that the PR “[PR Name]” and the SR “[SR Name]”, did not fairly present the schedule of indirect cost rate]. Or [Based on our review, we noted that the PR “[PR Name]” (or the SR “[SR Name]”), presented unjustified amount of [USD XXXX] detailed in our Management letter].

The PR “[PR Name]” [and the SR “[SR Name]”] has [have] charged common costs to the Global Fund grant for the period [January 1st, 2021 to December 31st, 2021] a total amount of [USD XXXX] as computed in the schedule of computation of shared common costs (Refer to Appendix 3). [Based on our review, nothing came to our attention that caused us to believe that the PR “[PR Name]” and the SR “[SR Name]”, did not fairly allocate the common costs to the Global Fund Grant]. Or [Based on our review, we noted that the PR “[PR Name]” (or the SR “[SR Name]”), presented unjustified amount of [USD XXXX] detailed in our Management letter].

**Other information** [please include paragraph if necessary]

**Auditors’ responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the grant program financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these grant program financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Special Purpose Grant Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

In accordance with the *Global Fund Auditing Guidelines,* we have also issued our reports on our consideration of the *[Principal Recipient, e.g. Ministry of Health]*’sinternal control and our tests of its compliance with the grant agreement, relevant laws and regulations. Those reports are an integral part of an audit performed in accordance with the guidelinesand should be read in conjunction with this Independent Auditors’ Report in considering the results of our audit.

**[Auditor name, e.g. ABC Associates]**

**[Audit report date, e.g. 20th April 2019]**

**[Auditor name, e.g. Ficticia]**

* 1. ***INDEPENDENT AUDITORS’ OPINION (DISCLAIMER)***

**Opinion**

We have been engaged to audit the grant [State grant name] financial statements of *[*Principal Recipient *name, e.g. Ministry of Health]* for the period *[state the period, e.g. January 1, 2018 to December 31, 2018]* which comprise [mention the different statements audited][[4]](#footnote-4). Our responsibility is to express an opinion on the Grant Financial Statements based on our audit.

Because of the significance of the matter described in the Basis for disclaimer of ooverpinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the grant financial statements.

**Basis for disclaimer of opinion**

We conducted our audit of the Special Purpose Grant Financial Statements in accordance with the *Global Fund Auditing guidelines* with specific references to ISA 800. Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Special Purpose Grant Financial Statements* section of our report. We are independent of PR Name in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that our audit provides a reasonable basis for our opinion.

[Example: The audit evidence available to us was limited because we were unable to verify program expenditure having a carrying amount of *[xxx]* and send confirmation letters to banks having a carrying amount of *[xxx]* due to limitations placed on the scope of our work by the management of the PR. As such, we have been unable to obtain sufficient appropriate audit evidence concerning both program expenditure and cash balances at PR and SRs.]

**Emphasis of matter** – Basis of Accounting and restriction on use and distribution *[please include paragraph if necessary]*

We draw attention to Note *[include the number of the relevant note]* to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist [State Principal Recipient name] in complying with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for *[State* Principal Recipient *name e.g. Ministry of Health]* and the Global Fund and should not be distributed to or used by parties other than *[State* Principal Recipient *name e.g. Ministry of Health]* and the Global Fund. Our opinion is not modified in respect of this matter.

**Report on other compliance requirements**

**Compliance with grant agreement and applicable law**

In our opinion, the grant funds have [not] been used, in all material respects, in conformity with the provisions of the Grant Agreement, including the approved budget and work plan and any amendments thereto as contained in implementation letters; and applicable local laws and regulations

**Review of** **indirect cost rate/apportionment of common costs [To be provided when relevant to the grant]**

The PR “[PR Name]” is authorized to charge indirect costs to the Global Fund grant using the following provisional rates:

|  |  |
| --- | --- |
| ***Rate*** | ***Basis*** |
| *2%* | *Expenditure incurred by the Sub-recipients* |
| *7%* | *Expenditures incurred by CRS other than health products* |
|  |  |
|  |  |

The SR “[SR Name]” is authorized to charge indirect costs to the Global Fund grant using a provisional rate of [5%].

The distribution base as computed in the schedule of computation of indirect cost rate (refer to Appendix 3). [Based on our review, nothing came to our attention that caused us to believe that the PR “[PR Name]” and the SR “[SR Name]”, did not fairly present the schedule of indirect cost rate]. Or [Based on our review, we noted that the PR “[PR Name]” (or the SR “[SR Name]”), presented unjustified amount of [USD XXXX] detailed in our Management letter].

The PR “[PR Name]” [and the SR “[SR Name]”] has [have] charged common costs to the Global Fund grant for the period [January 1st, 2021 to December 31st, 2021] a total amount of [USD XXXX] as computed in the schedule of computation of shared common costs (Refer to Appendix 3). [Based on our review, nothing came to our attention that caused us to believe that the PR “[PR Name]” and the SR “[SR Name]”, did not fairly allocate the common costs to the Global Fund Grant]. Or [Based on our review, we noted that the PR “[PR Name]” (or the SR “[SR Name]”), presented unjustified amount of [USD XXXX] detailed in our Management letter].

**Other information** *[please include paragraph if necessary]*

**Auditors’ responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the grant program financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these grant program financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Special Purpose Grant Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

In accordance with the *Global Fund Auditing Guidelines,* we have also issued our reports on our consideration of the *[Principal Recipient, e.g. Ministry of Health]*’sinternal control and our tests of its compliance with the grant agreement, relevant laws and regulations. Those reports are an integral part of an audit performed in accordance with the guidelinesand should be read in conjunction with this Independent Auditors’ Report in considering the results of our audit.

This report is intended for the information of Ministry of Health and the Global Fund.

**[Auditor name, e.g. ABC Associates]**

**[Audit report date, e.g. 20th April 2019]**

**[Auditor name, e.g. Ficticia]**

1. **SPECIAL PURPOSE GRANT FINANCIAL STATEMENTS FOR THE MINISTRY OF HEALTH –** **Representation Letter**

(Entity Letterhead)

(To Auditor) (Date)

This representation letter is provided in connection with your audit of the Special Purpose Global Fund Financial Statements prepared by the *[Principal Recipient name e.g. Ministry of Health]* for the year ended *[December 31, 20XX 2]* for the purpose of expressing an opinion as to whether the Special Purpose Global Fund Financial Statements are presented fairly, in all material respects, (or give a true and fair view) in accordance with the terms of the Global Fund grant agreement and in conformity with the basis of accounting described in note [X] to the financial statements.

We confirm that (to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves):

*Financial Statements:*

* We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated [insert date], for the preparation of the financial statements in accordance with the terms of the Global Fund grant agreement and in conformity with the basis of accounting described in note [X]; in particular the financial statements are fairly presented (or give a true and fair view) in accordance therewith.
* Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
* All events subsequent to the date of the financial statements and for which the terms of the Global Fund grant agreement and in conformity with the basis of accounting described in note [X] to the financial statements require adjustment or disclosure have been adjusted or disclosed.
* There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.
* [When exist SRs]: All funds received by SRs (including disbursements made by the PR on behalf of SRs) are reflected in the note “Sub-recipient advances table”.
* All fixed assets procured with the Global Fund grant funds [including those procured by the SRs] are included in the fixed assets register attached to the financial statements.
* [Any other matters that the auditor may consider.]

*Non-compliance with laws and regulations, including fraud*

* We acknowledge that we are responsible to determine that the implementation entities’ activities are conducted in accordance with laws and regulations and the Grant agreement and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
* We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
* We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
* [When management is aware of the occurrence of non-compliance with laws or regulations, or has received allegations of non-compliance with laws and regulations.] We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations including fraud known to us that may have affected the implementation entities (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), including non-compliance matters:
  + Involving financial improprieties
  + Related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements.
  + Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the implementing entities’ activities, its ability to continue in activity, or to avoid material penalties
  + Involving management, or employees who have significant roles in internal control, or others
  + In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others
* [When management is not aware of the occurrence of non-compliance with laws or regulations, or has received allegations of non-compliance with laws and regulations.] We have no knowledge of any identified or suspected non-compliance with laws or regulations including fraud that may have affected the implementing entities (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:
  + Involving financial improprieties
  + Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements
  + Related to laws or regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the implementing entities’ activities, its ability to continue in activity, or to avoid material penalties
  + Involving management, or employees who have significant roles in internal control, or others
  + In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others

Information Provided

* We have provided you with:
  + Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  + Additional information that you have requested from us for the purpose of the audit; and
  + Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
* All transactions have been recorded in the accounting records and are reflected in the financial statements.
* We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
* We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
* We have disclosed to you, and the implementing entities have complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
* All liabilities and contingencies, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
* [Any other matters that the auditor may consider necessary (see paragraph A11 of this ISA).]

The Special Purpose Grant Financial Statements was prepared by [PR Full name]and signed on its behalf on [*April 20th, 2022]* by:

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Principle Secretary, Minister of Health Accountant General, Minister of Health

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Director, National Aids Commission

**Appendix 1**

**Overview on grant budget management**

*Guidance: provides auditor’s assessment of compliance and implementation of approved GF grant budget, key variances, significant budgetary reclassifications and additional budgets received during the reporting period.*

**Appendix 2**

**Key financial position**

*Guidance: for each major reporting position in the financial statements the auditor should provide at least a one-page overview of the following key elements:*

*[E.g.: Revenue (grants from The Global Fund, Cash balance, Fund Balance, Advances, Commitments]*

|  |  |  |  |
| --- | --- | --- | --- |
| Audit assertion  *Why is this financial position considered key* | Work performed | Key control procedures performed | Auditor’s judgement on management’s assessment of key risks and actions on risk mitigating measures |
|  |  |  |  |
|  |  |  |  |

**Appendix 3**

**Indirect cost rate/Apportionment of common costs**

1. **Indirect cost rate**

The ICR is calculated based on the total amount of transactions done by….

1. **Apportionment of common costs**

The part of common costs attributed to Global Fund is detailed as follow:

1. Identify the title of each statement comprising the financial statements [↑](#footnote-ref-1)
2. Identify the title of each statement comprising the financial statements [↑](#footnote-ref-2)
3. Identify the title of each statement comprising the financial statements [↑](#footnote-ref-3)
4. Identify the title of each statement comprising the financial statements [↑](#footnote-ref-4)